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C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 023695

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TAGS: [PREL](#) [PGOV](#) [AGOA](#) [ECON](#) [EAID](#) [CH](#)
SUBJECT: PRC/AFRICA: BEYOND THE BEIJING SUMMIT TRADE AND
INVESTMENT PROPAGANDA

REF: A. BEIJING 22370
[1](#)B. BEIJING 23169

Classified By: Classified by Political External Unit Chief Edgard Kagan
. Reasons 1.4 (b/d).

Summary

[1](#)1. (C) China and African countries announced 16 trade deals worth USD 1.9 billion at the conclusion of the Beijing Summit of the Forum for China-Africa Cooperation (FOCAC)(Ref A), but contacts tell us that the real number and value of bilateral contracts signed during the Beijing Summit is likely far greater. Consistent with Propaganda Department guidelines to downplay bilateral pacts (Ref B), the PRC is likely underreporting trade deals resulting from the Beijing Summit, failing to announce significant deals that have surfaced in the press, such as a USD 8.3 billion agreement to upgrade Nigeria's rail system. Noting that his delegation held an unreported meeting with approximately 70 Chinese companies interested in coal, bitumen and other minerals, a Nigerian Embassy contact speculated that other African delegations held similar meetings. Premier Wen Jiabao underscored China's intentions to expand its economic ties to Africa, calling for two-way trade to hit USD 100 billion by 2010. African dignitaries welcomed China's interest in greater economic ties, but several peppered their public remarks with gentle caveats. While eager to explore business opportunities with Chinese companies, a number of African businessmen complained about Chinese business practices, noting the difficulty in exporting to China. Chinese enterprises, for their part, must "work through networks" established by PRC State-Owned Enterprises already present in a given African country. End Summary.

PRC Pursues Expanded Trade

[1](#)2. (C) A "High-Level Dialogue between Chinese and African Leaders and Business Communities and the Second Conference of Chinese and African Entrepreneurs" (High-Level Economic Dialogue) held during the Beijing Summit brought together Chinese and African politicians and business leaders to promote two-way trade and investment as well as "match" Chinese and African business interests. Premier Wen Jiabao opened the High-Level Economic Dialogue with a keynote address consisting largely of platitudes touting previously reported aggregated China-Africa two-way trade and economic statistics. Premier Wen expressed the desire to continue China's rapid economic expansion in Africa, calling for Sino-African trade to double to USD 100 billion by 2010.

13. (C) African dignitaries welcomed Wen's call to expand economic ties, but several peppered their public remarks with gentle caveats. Ethiopian Prime Minister Zenawi said the relations must expand "without affecting the quality of goods and services" exchanged. Algerian President Bouteflika referenced the New Economic Partnership for African Development (NEPAD) and said the China-Africa partnership must benefit both sides. Lesotho Prime Minister Mosisili, speaking on behalf of the Southern African Development Community (SADC) said PRC-SADC consultations in advance of the Beijing Summit produced a commitment by SADC to provide an enabling environment for Chinese investment, but SADC sought increased high-level visits and China's support "as a P-5 member" for African Union positions in the international arena.

What Is Beijing Hiding?

14. (C) At the closing of the High-Level Economic Dialogue, Chinese firms and African governments and countries announced 16 trade and investment deals worth USD 1.9 billion. However, the number and value of bilateral contracts signed as a result of the Beijing Summit is likely far greater. Per Ref A, China's zero-tariff proposals and other agreements will all be contracted and implemented bilaterally. Consistent with Propaganda Department guidelines to downplay bilateral pacts (Ref B), the PRC has declined to announce significant deals that have surfaced in the African and/or international press, such as a USD 8.3 billion agreement to upgrade Nigeria's rail system reported by AFP. At least one Chinese paper did report a USD 10 billion rail deal between South Korea and Nigeria shortly after the summit.

BEIJING 00023695 002 OF 003

15. (C) An Economic Minister at the Nigerian Embassy speculated the Chinese did not announce the China-Nigeria rail deal because it was a "private matter" between Chinese companies and Nigerian authorities, overlooking the parallels to the 16 deals announced during the Beijing Summit. A Nigerian consultant told Poloff that the Nigerian Minister for Solid Mineral Development met with approximately 70 Chinese companies, primarily SOEs, at a Beijing hotel to discuss joint ventures in coal, bitumen and other minerals. While the consultant did not know whether any specific deals were inked following the hotel meeting, he said that the Chinese companies were "fighting with each other" over opportunities presented. The Nigerian Economic Minister confirmed the meeting but said he had no details, adding that he believed other African ministers likely held such "informal" discussions while in Beijing.

African Frustrations

16. (C) While generally eager to explore business opportunities with China and Chinese companies, a number of African businessmen expressed some frustrations with Chinese business practices at a "match-making" session for Chinese and African businesses in connection with the High-Level Economic dialogue. African businessmen and/or delegations were granted table space in an exhibition hall at the China World Hotel and given the opportunity to pitch their businesses to potential Chinese partners, mostly from Chinese State-Owned Enterprises (SOEs) according to participants who spoke with Poloff on the margins of the event. In general, participants felt the two-hour event did not provide enough time for genuine business transactions but did produce some contacts. A number of Africans said that they could not find serious partners for their ventures because the Chinese wanted to dictate the terms of the relationship. "They are very tough negotiators," a Ghanaian businessman told Poloff. A Namibian developer said that his company had secured a USD 400 million contract with Chinese partners earlier this year,

but added that Chinese are less keen to develop projects jointly in venues outside Namibia. A Togolese printer said that he could not find any appropriate partners and said that the Chinese companies present seemed to be focused simply on natural resources and infrastructure. An Ethiopian textile exporter added that few Chinese companies appeared more interested in buying his company than its products.

17. (C) Africans expressed similar frustrations at an African Commodities Exhibition held at the Beijing International Conference Center sponsored by the PRC Ministry of Commerce (MOFCOM) November 6 and 7, immediately after the close of the Beijing Summit. MOFCOM set up country blocks within the exhibition hall, with each country allotted several booths for its companies and/or trade promotion entities. Sudan and Zimbabwe were given the most prominent spots for their booths. Sudan also had the largest block of booths, with ten companies represented. Hagleig Petroleum had the most prominent display, pitching engineering, procurement and construction services. The Societe Nationale Des Bois Du Gabon (SNBG), Gabon's national timber company, drew interest from Chinese participants with an expensive multimedia exhibit designed to showcase the value of Gabon's tropical hardwoods. Chinese saleswomen in Nefertiti costumes accompanied lavish Egyptian displays designed to pitch cosmetics, refrigerators and carpets. Several Zambian mine companies were also represented. Most other country displays appeared designed to sell carvings and batiks.

18. (C) The Chinese participants at the Commodities Exposition included a number of businessmen seeking joint ventures, but also a shopping mall crowd gawking at the African mementos. MOFCOM interlocutors were stationed in each booth, allegedly to broker transactions between the Africans and the Chinese. Several Africans did not like the intermediaries. A Kenyan marketer for the Horticultural Crops Development Authority summed up the exasperation of some African businesses present, saying with a glance at her minder, "It's been a long day." A Sudanese Gum Arabic Company representative echoed the sentiments of several other Africans, saying "We have good products but it's very easy for the Chinese to sell to us and very hard for us to penetrate their market."

SOE Networks Dictate Market Access?

BEIJING 00023695 003 OF 003

19. (C) Chinese businessmen willing to speak with Poloff confirmed they had strong support from the Chinese government to pursue contracts in Africa. One SOE businessman working for a water pipe company said it was very difficult for "private" Chinese companies to operate in Africa. The businessman said culture and language pose the biggest challenges to Chinese companies in Africa. Security is less of a problem because Chinese enterprises seeking to enter African markets must "work through networks" established by Chinese SOEs already in a target country, the businessman said, adding that a relatively small number of SOEs with significant African experience serve as bridges for other Chinese firms.

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